



Philadelphia Home Ownership Center

U.S. Department of Housing and Urban Development

The Wanamaker Building
100 Penn Square East
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CIRCULAR LETTER PH 01-07

TO: All Approved Mortgagees Doing Business in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

FROM: Engram A. Lloyd, Director, Philadelphia Homeownership Center

SUBJECT: Underwriting Loans Involving Transfer Tax Credits or Abatements

At the present time, purchasers of properties located in the District of Columbia meeting certain requirements (i.e. owner occupants meeting income requirements) are being offered a transfer tax credit or tax abatement at settlement. On such transactions, the seller pays the appropriate amount of transfer tax and the District of Columbia gives the buyer a credit, at closing, against the purchase price.

When processing an FHA insured loan transaction involving such a transfer tax credit, underwriters should reduce the contract sales price of the property by the amount of the transfer tax credit. The adjusted amount should then be reflected on line 10(a) of the Mortgage Credit Analysis Worksheet (MCAW) Form HUD-92900-PUR. For example, if the contract purchase price of a property is \$125,000 and the amount of the transfer tax credit is \$1,250 then the amount to be entered in block 10(a) of the MCAW would be \$123,750. As a result, the minimum cash requirements and FHA maximum mortgage amount calculations are based on a sales price of \$123,750.

If you have questions regarding these issues, please contact our FHA Resource Center at (800) CALLFHA.